



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Scott P. Johnson
Larry Lisenbee

SUBJECT: SEE BELOW

DATE: March 29, 2004

Approved

Date

SUBJECT: HAYES CAPITAL RESERVE APPROPRIATION AND STATUS UPDATE
ON HAYES OPERATIONS

COUNCIL DISTRICT: Citywide
SNI AREA: N/A

RECOMMENDATION

Adoption of the following Appropriation Ordinance and Funding Sources Resolution amendments in the Community Facilities Revenue Fund:

- (1) Decrease the Reserve for Hayes Capital Improvements by \$151,164;
- (2) Establish an appropriation for Hayes Mansion Repair and Capital Improvements in the amount of \$151,164.

BACKGROUND

On October 21, 2003, the City Council authorized various Hayes Mansion ("Hayes") related actions, including a line of credit agreement in an amount not to exceed \$5 million and a term loan in an amount not to exceed \$2 million with Comerica Bank ("Comerica"). The loan agreement with Comerica ("Loan Agreement") imposes certain financial and reporting requirements on the City that must be met.

The Loan Agreement specifies that the Hayes Mansion Revenues are to be expended only on eligible operating expenses. Eligible expenditures include routine maintenance and repairs (any single repair of \$5,000 or less) and capital repairs, improvements and replacement. Routine repairs are paid from operating revenues.

In order to provide for funding of capital repairs (those exceeding \$5,000), capital improvements and replacements, each calendar month an amount not to exceed 4% of the Hayes Revenues for the preceding calendar month is transferred from the Hayes Operating Account at Comerica Bank to City's Community Facilities Revenue Fund ("Fund") and be appropriated for Hayes Mansion Repair and Capital Improvements. The funds are to be used by the City to pay for (a)

any single repair of furniture, fixtures and equipment at the Hayes exceeding \$5,000; (b) any single repair of the Hayes Building exceeding \$5,000; (c) capital expenditures on or at the Hayes; and (d) the replacement of capital improvements on or at the Hayes.

ANALYSIS

Pursuant to the Management Agreement between the City and Dolce International/San José, Inc. ("Dolce"), implementation and procurement of any improvement as defined above is contingent upon the City's approval and the availability of funds in the Fund. Staff has conceptually approved such expenditures contingent upon the Council's approval of the appropriation to utilize the reserve setup for the same purpose. These items will be funded solely from the amounts paid into the Fund by the Hayes and from no other source. Through FY 2003/04, a total of \$151,164 is projected to be paid into the Fund, and capital related costs totaling \$126,000 are projected to be incurred at the Hayes. A capital budget summary through June 30, 2004, is attached (Attachment I). It should be noted that the difference between the total amount of projected funds and the capital related costs identified in Attachment I are requested to be approved as a contingency and/or for future projects that may come up later in the fiscal year.

Status Update on Operations

Since taking over management of the Hayes effective January 1, 2004, Dolce has exhibited the expertise necessary to manage, operate and maintain the Hayes as a first class conference center. Dolce has taken many steps to improve the Hayes in all phases of the conference center business, including sales and marketing, operations and administration, and to assure a smooth transition from the prior management company. Staff continues to actively monitor the activities of the Hayes operations. A summary of key Dolce activities since January 1, 2004 is attached (Attachment II). A six month update on the Hayes operations, including financial results will be provided to the Council in August pursuant to direction given by the Council upon the approval of the management agreement with Dolce.

Dolce has implemented the City's environmentally preferable procurement policy through Dolce's "Green" Program. The "Green" Program includes using paper products made from recycled paper; recycling paper, glass, aluminum and plastic; and water and energy conservation techniques. An outline of the Dolce Hayes Mansion Green Program is attached (Attachment III).

PUBLIC OUTREACH

Not applicable.

COORDINATION

This report has been prepared by the Finance Department and Budget Office in coordination with the City Manager's Office and the City Attorney's Office.

Honorable Mayor and City Council

March 29, 2004

Subject: Hayes Capital Reserve Appropriation and Update on Hayes Operations

Page 3

COST IMPLICATIONS

The funds necessary to pay Hayes related repairs exceeding \$5,000 and capital expenditures will come exclusively from the 4% of Hayes Revenues paid into the Fund through the Hayes operating revenues.

BUDGET REFERENCE

Fund #	Appn #	Appn Name	RC #	Total Appn	Proposed Budget Page	Last Budget Action (Date, Ord. No.)
422	7936	Reserve for Hayes Capital Improvements	N/A	151,164		

CEQA

Not a project.

SCOTT P. JOHNSON
Director, Finance Department

LARRY LISENBEE
Director, Budget Office

Honorable Mayor and City Council

March 29, 2004

Subject: Hayes Capital Reserve Appropriation and Update on Hayes Operations

Page 4

ATTACHMENT I

**THE HAYES MANSION - A DOLCE CONFERENCE CENTER
CAPITAL BUDGET - JANUARY 2004 - JUNE 2004**

<u>CAPITAL PROJECT</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>TOTAL</u>
High Speed Wireless Internet				50,000			50,000
New Health Club Equipment			25,000				25,000
Minor Spa Renovations			15,000				15,000
Replace Cooling Tower - Bldg 1					20,000		20,000
Replace Walk-In Cooler					6,000		6,000
CLS Hardware Upgrade						10,000	10,000
Monthly Total	0	0	40,000	50,000	26,000	10,000	126,000

FF&E Reserve - 4% of Revenue	0	25,464	23,835	26,684	33,385	41,796	151,164
Reserve Balance	0	25,464	49,299	35,982	19,367	35,164	25,164

ATTACHMENT II

THE HAYES MANSION – A DOLCE CONFERENCE CENTER

2 Month Update (January 2004 – February 2004)

Sales & Marketing

- Hired a new Director of Sales and Marketing and 2 new Global Sales Managers
- Implemented a procedure to use Dolce's Standard International Sales Contracts for all bookings
- Implemented Weekly Sales and Planning Meetings
- Public Relations Firm RFP process begun and a firm is expected to be selected within 45 days
- 9,000 piece Direct Mail Campaign announcing Dolce Managing Hayes Mansion
- Sales Blitz coordinated February 16-20, 2004, with over 150 sales calls made
- Dolce Hayes Mansion added to Dolce Website
- Central Reservation Office up and running
- 14 customers (groups) serviced in January and 13 groups serviced to-date in February. All groups gave positive feedback
- Completed contract for Corporate Travel for IBM, 35 room nights consumed in 3 weeks. Sales Manager handling account is currently working with getting assistants out to property that make reservations for the travelers.
- Participated in the Northern California Trade Show for MPI (Meeting Planners International)
- Implemented Dolce's Morning of Power for all Global Sales Managers. Each Wednesday morning Sales Managers spend the morning dedicated to just prospecting. First Week results, over 179 contacts made and 200 room nights identified.
- Implemented Dolce Sales Standards for Sales Manager's. 75-100 weekly prospecting calls, 2-5 outside sales calls and 3-5 site inspections a week.
- Implemented Standard Weekly Dolce Reports for tracking Group Bookings/Catering & Day Meeting Business Volumes. Group Booking Pace
- A new Director of Sales & Marketing will start on March 1, 2004. The primary focus will be on the process of re-organizing the Sales and Marketing operation and putting in the key

critical sales and marketing programs that will deliver the financial expectations per the proforma and 2004/05 budget.

Operations

- SynXis Training Phase I (New Reservation System)
- Landscape Bid Process started
- Evaluated Property with RoomLynx for HS Wireless Upgrade
- Hired a new Executive Chef and a new Conference Service Floor Manager
- Achieved cost savings by converting “SYSCO and Ecolab” to Dolce Preferred Vendor Contracts (lower costs per unit due to corporate volume discount)
- Commenced implementation of our risk management program through Marsh USA.

Administration

- New company Organizational Chart created
- Hired a new IT Manager and a new Spa/Fitness Manager
- Transitioned former 401K Plan to new Dolce Plan
- Finalized benefits conversion to Dolce benefits
- The 6-Month Forecast for January 2004 to June 2004 was completed
- Transferred all accrued vacation and union sick accrual to Dolce International
- In the process of finalizing the 04/05 Budget

ATTACHMENT III

Generalized Outline of Current Dolce Hayes Green Program

Key Areas

Back of House:

- All recycle bins are located at loading dock of Orlo's kitchen; Waste Management is our service provider. We recycle: Glass/Cans/Plastic, Cardboard/Paper products, Refuse. (Waste audit scheduled for January 6th, 2004)
- Education through awareness, all associates willingly participates. Additional updates and reminders are added to new letter, periodically.
- All laundry service is provided off-site, managed through established PARs and updated based on Business Demands

Front of House:

- (TRANE) Energy Management System (EMS) in place to facility controls of Bldg. III and Westwood Patio. Appropriate shutdown schedules have been put in-place. An assessment of the usage from the past year will need to be conducted to determine effectiveness.
- Utilization of refurbished office products, where applicable
- Energy efficient lighting is currently in place at all public locations
- Education through awareness
- Exterior lighting schedule managed based on seasonality
- Exterior watering schedule, managed through Landscape Company
- Reduced lighting schedule for Parking Garage, only increased when business demands
- Corporate sponsored "ECO Pass" for all staff, encouraging the use of County supplied Mass Transit Systems
- Donation of all expired and/or old "Logo" products to local education programs for use in needy schools. Unused items are recycled.

Guestrooms:

- Water Conservation program for linen usage, tent card provided on bed, and at sink area
- Recycle containers provided in room, different color than typical trash container
- Energy efficient lighting
- House keeper carts contain recycle bags

Meeting rooms:

- Marked recycle containers supplied in all meeting rooms
- Lockout and shutdown protocols in place for evening Security & Conference Services crews
- Refresh of rooms is conducted with separate containers to provide for refuse to go to recycle bins

- Where applicable, energy efficient lighting has been installed

Areas to Explore

- Annual Evaluation of EMS System June 04
- Expansion of EMS System to control the following rooms: Capital project
Silver Creek Dining Room
Edenvale
Chynoweth
Spa
(Determine Capital Costs to encompass entire property)
- Quarterly Waste Audit April 04
- Meeting room note-pads made with Recycled Paper
- Meeting room Flip Charts made with Recycled Paper
- Business cards made with Recycled Paper, and/or imprinted with “We Recycle”